

Hints & Tips for a Successful Mortgage Application

Before I completely hang myself and say this is a sure fire way to have your mortgage application slide through the mortgage process, I would like to say that each and every lender is different and their criteria changes depending on the current market place and risk assessment of specific sectors of lending, such as high loan to value, buy to let and perhaps adverse credit lending. (when available)

We have seen in the past few years a dramatic change in how lenders assess, process and offer mortgages to consumers. We can either see this as a negative change or we can view this as a positive change, depending on each person's circumstances and perceptions in today's climate.

By being organised and prepared, your mortgage application can and should be a simple and straight forward process as long as you follow these simple guidelines.

Credit Score or Credit Rating

Before a mortgage is agreed or considered by a Lender, a credit search and or credit scoring is conducted on each of the persons applying for the mortgage to ascertain their credit worthiness.

A Credit Score is based upon the data you provide in your application for mortgage such as:

- Do you own, rent your home or live with family
- How many addresses you have had in the last 3 years
- How long you have had your bank account
- What outstanding credit you have
- Are you on the voters / electoral roll
- Number of dependants you have
- How old you are

This list is not exhaustive or definitive as each lender looks at different items in their own way, some lenders have been known not to do this at all and purely rely upon the Credit Search.

A Credit Search is different. A Credit Search is a search to a credit reference agency which could be Experian, Equifax, Call Credit or any other Credit Referencing Agency that the Lender chooses to obtain their data from. This data is collated and can and will have reference to:

- Your current indebtedness
- How many loans or finance agreements you have
- Your conductivity of these accounts
- What Mortgages you have or have had



- Your address history
- Any aliases or other names you are associated with
- Any missed payments or adverse credit you may have

This data is recorded by these credit referencing agencies and you are able to obtain a record of the full information held by writing or applying for the data accordingly. Please see my website for further contact details relating to these credit referencing agencies and ways to help or improve your credit file. www.moneywest.co.uk/credit-reports.html

Application Process

So, I have now told you what the lenders do initially to see what your credit worthiness is like, now its time to submit an application to the lender with this data along with your supporting information. This is my job or the job of a mortgage broker.

A mortgage application will consist of anywhere between 15 & 40 pages (if you are operating a paper based system) or if it's electronic, most mortgage brokers will apply for your mortgage online. The mortgage broker has individual, secure and direct access to these systems and during the process of the application, normally an immediate decision to consider an application is granted. This is called an agreement or decision in principle. An agreement or decision in principle is just that, the lender has taken a snap shot off your initial application and based on the basics of the information supplied, they have stated 'yes Mr Blogs, we can lend you the sum of £££,£££ subject to: etc etc etc' This decision is usually made based on the Credit Search and the basic and initial information supplied.

It is worth noting at this stage that even though a lender states they have given you an agreement in principle, this may be declined based upon additional information coming to light, or false or misleading information being given.

As a broker, my job is not only to submit your application, but of course to advise you on what the best mortgage or most appropriate mortgage is for you... *this is detailed in another help file*. But in respect of collecting the information for the broker or adviser to submit your application, a Fact Find has to be carried out. A Fact Find is a form / tool used by an adviser to ensure that he or she knows everything that they need to know about you in respect of applying for the mortgage on your behalf along with a multitude of other facts that will support the decision in what a broker / adviser does for you.

Documents/supporting information

At this time the lender will have the information detailing the full specifics of your mortgage application as it has been received online / electronically from the mortgage broker and for what you want the money for whether it be for a House Purchase, Re-mortgage a Buy to Let etc, but they will next need to



see your proof of what you have said in the form/application. This is supported by your Documents or Supporting information.

The standard or usual items all lenders will need to see or will require an adviser/broker to see is Proof of your Identity and Proof of your Residency. Most lenders are generic with this and it will consist of the following information.

Proof of Identity

- Current Full Passport
- Photo card drivers licence with supporting paper copy
- Old style Drives Licence
- Firearms Licence
- Cheque Guarantee / Credit Card
- Major Employers ID Card with Photograph
- HM Forces ID Card with Photograph
- HM Revenue Tax or Benefits Statement

Proof of your address

- Latest council tax bill / demand
- Bank Statement
- Credit Card Statement
- Utility bill – Water rates, electricity bill telephone bill etc
- HM Revenue document (Child benefit, Tax Credits etc)

These items to prove your address should be no older than 3 months.

A lender will require an adviser to see the original copy of these and take a copy for his/her records to prove that they have seen you and can verify who you are. He/she will need to see at least 1 from the Proof of Id list and 1 or 2 from the Proof of address list for each person applying for the mortgage.

Proof of Income

If you are an **employed** person, this is quite easy. In most cases, the last 3 months or 6 weekly payslips are sufficient, but if you are including bonuses in your affordability model for lending, this will need to be proven. To prove the bonuses, your last P60 will be possibly requested and if it's a significant proportion of your income, they could ask to see previous ones also. If you are in line for a pay rise, some lenders will take this in to account also, but proof of this will need to be provided. This could be a letter or a copy of your employment contract.

If you are a **Self Employed** person, a Lender will require seeing your last 2 or more often than not, your last 3 years accounts. These need not be specifically audited or prepared by an accountant, but if they are not, additional proof may be requested such as your SA302 documents which confirm your self

assessed income declaration to the Inland Revenue. Some lenders assess self employed income differently from others, some will average the last 3 years net profits, some will average the last 2 years, if the net profit is declining then it may be the last years figures only that are considered. There is also a lender who only considers the last years submitted figures so if your previous years are low because of a start-up, then this could be favourable. (This is one of the benefits of having a broker on your side – he generally knows these things.)

If you are a **Director** of a company, then this can be a little different depending on the lender. It can often be as simple as providing your payslips confirming your income or it can also be requesting sight of the accounts or the lender requesting an accountants reference or accountants certificate. If dividends are being used, this will need to be confirmed by way of SA302, payslips or via an accountant's reference.

If you are in receipt of a **Pension** and wishing to apply for a mortgage, you will need to supply the proof of your income, and this will be by way of your Pension Statements.

Additional income can be used in the supporting of your mortgage application and the following items are generally considered in some cases.

- Tax Credits
- Child Benefit
- Maintenance Payments
- Disability Living Allowance
- Fostering Income or Income from Lodgers
- Trust Income
- Student Loans/Grants or Bursaries

The above income is treated as secondary income and every lender is unique in how they accept or assess this – please ask for more information.

Along with providing your Payslips or Self Employed accounts, it is also worth noting that some lenders will request sight of Bank Statements to support the income disclosed on the payslips etc, this is for the lender to double check the income shown on the payslips is in fact the income received by the applicant.

Proof of your Deposit

In today's bizarre world of deceitful people committing Fraud and Money Laundering, it is now more common for Lenders to request proof of your deposit, it also confirms that it is you that has saved or indeed actually have the deposit available. Lenders do and can accept an application where proof of deposit is from another source such as family or even a gift from another source, but this needs to be disclosed up front and confirmed that it is agreeable with the lender. Proof of deposit will commonly be



proven by bank statements or a letter from a family member or source that the money is being gifted and it not expected to be returned.

Additional Requests

In most cases, the information supplied as listed above is generally enough, but in cases where it is not so straight forward, additional items may also be requested in special cases. These could be:

- Copies of Tenancy Agreements (if a person has buy to lets)
- Copies of Credit Card Statements (to confirm the level of debt)
- Copies of Mortgage Statements (to prove that there are no missed payments)
- Copy of your credit file (quite rare now)
- Copy of Marriage Certificate (if recently changed your name)
- Copy of indefinite right to reside
- Copy of Rental Income Letter (for Buy to Lets)
- Proof of the secondary income as listed above.

So – now you have it... with all this in mind, the task will be simple wont it... If you have any questions, please give me a call or drop me an e-mail – if you believe I have missed something out, then please be sure to let me know.

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